

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**This filing relates to the
Commonwealth.**

**REPLY OF THE COMMONWEALTH OF PUERTO RICO TO RESPONSES
[ECF NOS. 19881 AND 22488] TO THE THREE HUNDRED EIGHTY-THIRD
OMNIBUS OBJECTION (SUBSTANTIVE) TO EMPLOYEE CLAIMS ASSERTING
LIABILITIES OWED BY ENTITIES THAT ARE NOT TITLE III DEBTORS**

To the Honorable United States District Judge Laura Taylor Swain:

Pursuant to the Court's *Order Concerning Unresolved Responses to Certain Omnibus Objections to Claims*, dated January 11, 2023 [ECF No. 23238 (the "Order")], the Commonwealth of Puerto Rico (the "Commonwealth" or the "Debtor"), by and through the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), as the sole Title III representative

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA", and together with the Commonwealth, COFINA, HTA, ERS, and PREPA, the "Debtors") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

of the Commonwealth pursuant to Section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”),² files this reply (the “Reply”) to Unresolved Responses (as defined in the Order) and in support of the *Three Hundred Eighty-Third Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Employee Claims Asserting Liabilities Owed By Entities That Are Not Title III Debtors* [ECF No. 17922] (the “Three Hundred Eighty-Third Omnibus Objection”), and respectfully states as follows:

1. On August 20, 2021, the Commonwealth filed the Three Hundred Eighty-Third Omnibus Objection seeking to disallow claims asserting liabilities associated with allegedly unpaid wages or other employment benefits purportedly owed by entities that are not Title III debtors, but which fail to comply with the applicable rules by not providing a basis for asserting a claim against the Commonwealth or any other Title III Debtor, each as listed on Exhibit A thereto.

2. Any party who disputed the Three Hundred Eighty-Third Omnibus Objection was required to file a response by 4:00 p.m. (Atlantic Standard Time) on September 20, 2021 (the “Omnibus Objection Response Deadline”), in accordance with the Court-approved notices attached to the Three Hundred Eighty-Third Omnibus Objection as Exhibit C, which were served in English and Spanish on the individual creditors subject to the Three Hundred Eighty-Third Omnibus Objection, the U.S. Trustee, and the Master Service List (as defined in the *Fifteenth Amended Case Management Procedures* [ECF No. 17127-1]). *See Certificate of Service* [ECF No. 17989].

3. Subsequently, at various hearings, the Commonwealth prosecuted, and the Court sustained, the Three Hundred Eighty-Third Omnibus Objection as to certain claims associated with claimants who responded to the Three Hundred Eighty-Third Omnibus Objection.

² PROMESA is codified at 48 U.S.C. §§ 2101–2241.

4. Thereafter, on May 24, 2022, the Commonwealth filed the *Notice of Presentment of Proposed Order Granting the Three Hundred Eighty-Third Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Employee Claims Asserting Liabilities Owed By Entities That Are Not Title III Debtors* [ECF No. 20981 (the “Notice of Presentment”)]. Any party who objected to the Notice of Presentment was required to file a response by 4:00 p.m. (Atlantic Standard Time) on May 31, 2022 (the “Notice of Presentment Response Deadline,” and together with the Omnibus Objection Response Deadline, the “Response Deadlines”).

5. On January 11, 2023, the Court issued the Order. Among other things, the Order directed the Commonwealth to file replies in support of the Three Hundred Eighty-Third Omnibus Objection, on or before February 2, 2023, at 5:00 p.m. (Atlantic Standard Time), to any unresolved responses to the Three Hundred Eighty-Third Omnibus Objection that (i) were dated on or before the Response Deadlines and were filed within thirty (30) days of the Response Deadlines, or (ii) proffer any reason for being filed after the Response Deadlines.

6. Upon a thorough review of the docket in the Commonwealth’s Title III case, the Oversight Board identified the following responses to the Three Hundred Eighty-Third Omnibus Objection that meet the criteria set forth in the Order:

- *Reply to Omnibus Objection* [ECF No. 19881] (the “Valdez Peralta Response”) filed by Carmen D. Valdez Peralta (“Valdez Peralta”);
- *Reply to Omnibus Objection* [ECF No. 22488] (the “Peralta Vazquez Response,” and together with the Valdez Peralta Response, the “Responses”) filed by Mildred E. Peralta Vazquez (“Peralta Vazquez”).

I. The Valdez Peralta Response

7. Valdez Peralta filed a proof of claim against the Commonwealth on September 4, 2020, logged by Kroll Restructuring Administration LLC (“Kroll”) as Proof of Claim No. 178636 (the “Valdez Peralta Claim”). The Valdez Peralta Claim purports to assert liabilities in an

undetermined about associated with allegedly accrued, but unpaid, wages purportedly owed by the Puerto Rico Telephone Company (the “Telephone Company”).

8. The Valdez Peralta Response, a Spanish-language response form accompanied by a letter and supporting documentation, is dated January 18, 2022, and was filed as ECF No. 19881 on January 21, 2022. Therein, Valdez Peralta states “[t]he Puerto Rico Telephone Company belonged to the Commonwealth of Puerto Rico until 1999” and asserts the Valdez Peralta Claim “is based on the money owed for increases under some laws that were signed during the period that [the Telephone Company] belonged to the Government of PR (Commonwealth of Puerto Rico).” Valdez Peralta Response at 3. The Valdez Peralta Response also enclosed documentation demonstrating Valdez Peralta’s retirement from Claro, the successor entity to the Telephone Company, and information concerning her monthly pension. [ECF No. 19881-1.]

9. As explained in the Three Hundred Eighty-Third Omnibus Objection, the Telephone Company is not a Title III Debtor. Rather, the Telephone Company is a former government entity which has been dissolved. Neither the Valdez Peralta Response nor the Valdez Peralta Claim provides a basis for asserting a claim against the Commonwealth or any other Title III Debtor in respect of allegedly accrued but unpaid wages purportedly owed by former government entities, such as the Telephone Company. Accordingly, the Valdez Peralta Claim should be disallowed.

II. The Peralta Vazquez Response

10. Peralta Vazquez filed a proof of claim against the Commonwealth on September 21, 2020, logged by Kroll as Proof of Claim No. 179420 (the “Peralta Vazquez Claim,” and together with the Valdez Peralta Claim, the “Claims”). The Peralta Vazquez Claim purports to assert liabilities in the amount of \$80,400.00 associated with allegedly accrued, but unpaid, wages

purportedly owed by the Puerto Rico Housing Finance Authority (the “Housing Finance Authority”).

11. The Peralta Vazquez Response, a Spanish-language response form accompanied by supporting documentation, is dated September 30, 2022 and was filed as ECF No. 22488 on October 3, 2022. Therein, Peralta Vazquez states she “work[ed] as Legal Secretary” at the Housing Finance Authority, which was “formerly a subsidiary of the Government Development Bank for Puerto Rico, from **November 17, 1997**, through **December 31, 2021**.” Peralta Vazquez Response at 2 (emphasis in original). The Peralta Vazquez Response also enclosed documentation demonstrating Peralta Vazquez’s employment with the Housing Finance Authority. [ECF No. 22488-1.]

12. The Housing Finance Authority, however, is not a Title III Debtor. The Housing Finance Authority and its parent entity, the Government Development Bank, are separate entities, legally distinct from the Commonwealth and each of the other Title III Debtors. Neither the Peralta Vazquez Response nor the Peralta Vazquez Claim provides a basis for asserting a claim against the Commonwealth or any Title III Debtor in respect of allegedly accrued but unpaid wages purportedly owed by the Housing Finance Authority. Accordingly, the Peralta Vazquez Claim should be disallowed.

III. Conclusion

13. For the foregoing reasons, the Commonwealth respectfully requests the Court sustain the Three Hundred Eighty-Third Omnibus Objection and disallow the Claims, notwithstanding the Responses.

Dated: February 2, 2023
San Juan, Puerto Rico

Respectfully submitted,

/s/ Hermann D. Bauer

Hermann D. Bauer

USDC No. 215205

Carla García-Benítez

USDC No. 203708

Gabriel A. Miranda

USDC No. 306704

O'NEILL & BORGES LLC

250 Muñoz Rivera Ave., Suite 800

San Juan, PR 00918-1813

Tel: (787) 764-8181

Fax: (787) 753-8944

/s/ Brian S. Rosen

Martin J. Bienenstock (*pro hac vice*)

Brian S. Rosen (*pro hac vice*)

PROSKAUER ROSE LLP

Eleven Times Square

New York, NY 10036

Tel: (212) 969-3000

Fax: (212) 969-2900

*Attorneys for the Financial
Oversight and Management Board
for Puerto Rico, as representative of
the Commonwealth of Puerto Rico*